GOVERNMENT OF INDIA
COAL AND MINES
LOK SABHA

UNSTARRED QUESTION NO:2300
ANSWERED ON:23.07.2004
REVIVAL PACKAGE FOR ECL AND OTHER COAL COMPANIES
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Will the Minister of COAL AND MINES be pleased to state:

(a) whether the Government is considering revival package for Eastern Coalfields Limited, Bharat Cooking Coal Limited and Central Coal Fields Limited as reported in Hindu dated 6th July, 2004;

(b) if so, the details thereof;

(c) the reasons for their sickness;

(d) the total investment required for the revival;

(e) the time limite and source of funding;

(f) whether NALCO production capacity is also to be enhanced; and

(g) if so, the details thereof ?

Answer

MINISTER OF STATE FOR COAL AND MINES (DR. DASARI NARAYANA RAO)

(a) &(b) : Yes, Sir. Eastern Coalfields Limited (ECL) and Bharat Coking Coal Limited (BCCL) have been referred to Board for Industrial & Financial Reconstruction (BIFR) as sick industrial company under Section 15 of the Sick Industrial Companies (Special Provision) Act, 1985. Central Coalfields Limited (CCL) has been returning profit for the last two years. Revival plans of ECL and BCCL are with the BIFR. The same are also under consideration of the Government. These have been found supportable. The revival plan of ECL among other things, seeks to augment underground and opencast production, outsourcing of 17 small O C patches, waival of unsecured loan of Rs. 519 crores, conversion of current account balance of Rs. 1532 crores into equity by CIL with back to back support from Government of India. The revival plan of BCCL seeks to augment production through implementation of some quick yielding OC project, replacement of old equipment, midernisation of UG mines and implementation of at least one Mega Project

(c) : The main reasons for the sickness of ECL and BCCL are that these companies have large number of underground mines with difficult geomining conditions. These mines are of uneconomic size with low productivity and not amendable to mechanism. Further the legacy of a large manpower at the time of nationalization together with revision of salary and manpower beyond payment capacity, insufficient investment in equipment , non-availability of land etc. are also the reasons for consistent losses resulting in sickness of the company.

(d) & (e) : In case ECL the estimated capital investment to achieve the targeted production of coal as mentioned in the Revival Plan is Rs. 2956.83 crores during the period from 2003-04 to 2012- 13. The company will earn a profit before tax of Rs. 330 crores at the end of 2008-09 and will have a positive net-worth at Rs. 27.84 crores in 2008-09 . In case of BCCL an aggregate financial support of Rs. 4095 cores is envisaged. The company will start earning profit from 2004-05 and achieve a profit of Rs. 315 crores at the end of 2006-07. However, the net-worth of the company will be positive by Rs. 33 crores at the end of the year 2010-11. While substantial portion of the funding as envisaged in the revival plan will be done by Coal India Limited, the remaining balance will be provided as back- to- back support by Government of India to CIL.

(f & g) : Nalco has submitted a proposal for second phase expansion of its Bauxite mines, Alumina refinery, aluminium smelter and Captive Power Plant (CPP) capacity at an investment cost of Rs.4091.51 crore at July, 2003 price level to be financed entirely by the Company's internal resources and commercial borrowings. The Public Investment Board in its meeting dated 6.2.2004 has cleared the project.